

## **complaint**

Miss C complains that Shop Direct Finance Company Limited have treated her unfairly by charging interest on her account after they'd agreed a payment plan with her.

## **background**

Miss C has a credit agreement with Shop Direct Finance Company Limited ("Shop Direct Finance"). In November 2016 she bought a couple of items on a buy now pay later ("BNPL") basis. This meant that as long as she paid the full balance by December 2017, she wouldn't have to pay any interest on that purchase. The monthly statements that Shop Direct Finance sent to Miss C reminded her of her account balance and the date by which she needed to pay it so that interest wasn't charged.

In August 2017 Miss C told Shop Direct Finance she was in financial difficulties and she arranged a payment plan with them in September 2017. Shop Direct Finance told Miss C that while the arrangement was in place, interest and charges would be suspended.

In November 2017, while the payment plan was continuing, Miss C was charged interest of £45.97. She asked Shop Direct Finance to refund this but they refused. They said the interest had been charged on the BNPL purchase because she hadn't paid for the things she'd bought in time. They explained that the payment plan didn't apply to that purchase and they couldn't remove the interest charge as it was part of the terms and conditions. As they didn't uphold her complaint about this, Miss C's complained to this service.

Our investigator's view was that, since Shop Direct Finance had told Miss C that interest and charges on her account would be suspended, it wasn't fair for Shop Direct Finance to charge her interest on the BNPL amount. But Shop Direct Finance didn't agree so the matter's been referred to me to review.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I think that when Miss C told Shop Direct Finance of her financial difficulties they initially treated her positively and sympathetically in agreeing to the payment plan and suspending interest and charges. They also explained that the arrangement was temporary to give Miss C a chance to review her financial position and obtain advice. And they provided details of a charity that might be able to help her.

I note that Shop Direct Finance's terms and conditions allow it to charge interest on BNPL purchases that haven't been paid up on time. But in this case I don't think it's fair and reasonable that Shop Direct Finance charged Miss C interest in November 2017 on her BNPL purchase. I'll explain why.

I think Shop Direct Finance misled Miss C into thinking that the payment plan included the BNPL purchase. But even if Shop Direct Finance had made it clear to her that the BNPL purchase was outside the payment plan, I don't think applying the charge was positive and sympathetic treatment of Miss C. This is because Miss C had already explained to Shop Direct Finance that she was in severe financial difficulties and she was in a payment plan with it. Under that plan Miss C was making payments of £10 a month to reduce her balance.

Applying the additional interest charge to the BNPL purchase effectively cancelled out any reduction she'd been able to make to the balance of her credit account with Shop Direct Finance.

Bearing all of the circumstances in mind, I uphold Miss C's complaint. I think Shop Direct Finance should rework her account as if the interest had never been added to it. And I think that Miss C should be compensated for the distress she's suffered due to being misled about the payment plan including the BNPL purchase and the inconvenience she's been put to in complaining about it.

I understand that the payment plan may now be at an end. So if Miss C is still having financial difficulties I would encourage her to speak to Shop Direct Finance or to seek help from the organisation they told her about.

### **my final decision**

My final decision is that I uphold Miss C's complaint.

Shop Direct Finance Company Limited should, within 14 days of Miss C accepting this decision,

1. rework the account as if the interest charge of £45.97 had never been added to Miss C's account; and
2. pay her £50 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 12 August 2018.

Julia Wilkinson  
**ombudsman**